

PRIME MINISTER

I attach Mr Walker's statement on the Agriculture Ministers Council.

The House was in no mood to concentrate on this. Norman Buchanan even suggested a moratorium at Questions in return for an undertaking that the House would have a further chance to debate the issues before the agriculture price fixing was concluded.

Mr Walker pointed out that there had been a debate within the last week, that he had kept the House fully informed and that the possibility of a deal on 20/21 April depended essentially on the Mandate issues.

As a result, there was some desultory questioning, but none worthy of recording.

M. A. PATTISON

5 April, 1982

AGRICULTURE COUNCIL - 31 MARCH AND 1/2 APRIL 1982

DRAFT PARLIAMENTARY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Council of Agriculture Ministers' meeting in Brussels on 31 March and 1 and 2 April.

The Commission made a compromise proposal on the 1982 price package. After a long and detailed discussion no agreement was reached. Following pressure from the United Kingdom, I was glad to see included in the package the virtual restoration of the butter subsidy and an improved provision for school milk. There were demands by many member states for higher price increases than those proposed. The United Kingdom opposed further price increases, though Germany and the Netherlands supported us on a number of commodities. We gathered good support for our fierce opposition to the coresponsibility levy on milk with lower rates for small producers, and for our view that we should have freedom as to whether and when there should be any revaluation of the Green Pound. It was recognised that further consideration was required, and the Council will resume its deliberations in Luxembourg on 20 to 22 April.

In order to allow the Danish Government to continue its policy of having no MCA's, a devaluation of the Danish green krone of 1.8 percentage points was agreed, subject in some cases to reference to capitals.

The current marketing years for milk, beef, sheepmeat and dried fodder were extended until 26 April.



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

M Pattison Esq
Prime Minister's Office
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London SW1

5 April 1982

Dear Mike

COUNCIL OF AGRICULTURE MINISTERS: 31 MARCH -
2 APRIL 1982

I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Ingham; Heyhoe (Leader of the House's Office); Maclean (Whip's Office, Commons); Pownall (Whip's Office, Lords); Wright (Cabinet Office); Buckley (Chancellor of the Duchy of Lancaster's Office), and to private secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely

Robert Lawson

ROBERT LOWSON
Private Secretary

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Council of Agriculture Ministers (Meeting)

The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker): With permission, Mr. Speaker, I should like to make a statement on the Council of Agriculture Ministers' meeting in Brussels on 31 March and 1 and 2 April.

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In order to allow the Danish Government to continue its policy of having no MCAs, a devaluation of the Danish green krone of 1.8 percentage points was agreed, subject in some cases to reference to capitals.

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Mr. Norman Buchan (Renfrewshire, West): I am grateful to the Minister for the statement, which is less precise than that which we read on page 3 of *The Observer* yesterday. We have heard the Minister and we regret his failure to come to grips with the need to press for a fundamental reform of the CAP.

In view of the business of the House and, above all, the gravity of the international situation, I shall not press further questions on the Government, so long as we have an undertaking that no final decisions will be agreed before the House has had an opportunity to debate the details. I have given the Minister short warning of my attitude, but we would welcome a rethink. If the Minister gives us an assurance close to that which we require, that would be the best way to deal with the matter.

Mr. Walker: I am grateful to the hon. Gentleman for his observations. I understand the spirit behind his suggestion. The debate on the price fixing took place only a week ago. I shall continue negotiations on 21 April, so I cannot guarantee that there will be further debate or that there will not be a conclusion on 20 to 22 April. The hon. Gentleman will understand that. He will also understand that nobody has been more forthcoming than I in coming to the House after a meeting in Brussels. I have never missed coming to the House and whenever the Opposition have required a statement, I have made one. I do not know whether there will be agreement on 20 to 22 April. That depends upon agreement on the budget, which depends upon a meeting of Foreign Ministers to agree the budget. If we cannot reach agreement on the CAP, I shall make a statement in the usual way. Alas, I cannot for obvious reasons, give the assurance for which the hon. Gentleman asks.

Mr. Buchan: Does the right hon. Gentleman accept that the timetable of the House has fluctuated—Saturday, for example—that it will fluctuate again and that, therefore we might have the opportunity for discussion earlier than has been envisaged? I must press one or two questions. Has the right hon. Gentleman been pushing the mandate on the principle of closing the gap between the EEC and world grain prices? Has that been abandoned? Is the right hon. Gentleman aware of the leaks that suggest that that gap is at a level of between 10 per cent. and 11 per cent.? What will that mean in terms of the support budget? The suggested figure is 16 per cent. but perhaps a more realistic level is 20 per cent. What will the new proposal of between 10 per cent and 11 per cent. mean?

How do the proposals square with proposals in the Tory manifesto that radical changes are necessary in the CAP and that we—and that means them—should insist on a freeze on products in structural surplus? How does that square with the statement in the middle of February that the United Kingdom urgently needed prudent price increases for products in surplus? Since then prices have been increasing.

Does the Minister agree with the House of Lords Select Committee that the proposals would add £70 million to the United Kingdom budget contribution? How much more will the increase leaked this weekend add to that £70 million? Does the right hon. Gentleman agree that the CAP is incapable of being reformed, that it has failed both the farmer and the consumer and that the best solution is for us to withdraw from the CAP and to develop a policy that will fulfil the needs of the producer and the consumer in this country?

Mr. Walker: The hon. Gentleman was a Minister in a Government under which the cost of CAP went up by 350 per cent., whereas under this Government it has gone up by only 30 per cent. In those circumstances, I do not accept the hon. Gentleman's criticism. The proportion of the European budget taken up by CAP has substantially reduced, whereas the proportion of CAP expenditure applied to British benefit doubled during this Government's lifetime. Therefore considerable progress has been made.

the detail of the compromise suggestion by the Commission on the price proposals was accompanied not by detailed costing but by the detailed assurance that it would still be within the budgetary limits and below the increase in own resources. We are seeking from the Commission detailed estimates of its proposals.

The hon. Gentleman raised the question of prices and their effect on consumers and statements on page 3 of *The Observer* and elsewhere. The Commission has moved to a proposal which averages 10.3 per cent. The effect on prices in the United Kingdom will be an increase—if all the price increases take place—of 1.2 per cent. in a full year. When one considers that in the lifetime of the last Labour Government food prices went up by 16.4 per cent. in a year, on average, that is not excessive.

We are interested to assess the cost of the proposals made by the Opposition last week. The hon. Gentleman suggested that there should be deficiency payments fixed between the current European price and the world price. That would cost £1,000 million a year to the Exchequer and reduce farm incomes by 80 per cent. It would be

in view of what has been happening behind him and is happening behind the Chair at the present time? The Government have kept their promise by bringing the White Paper before us in these difficult times, for which they should be commended. Is the right hon. Gentleman also aware that a power-sharing executive was last brought down by para-militaries on both sides—those who supported the Ulster Workers Council and those who supported the Provisional IRA? There is a lesson there for the democratic parties to ensure that their voices are heard.

Finally, can the right hon. Gentleman say to what extent there will be a degree of economic initiative lying within the power of the new Assembly?

Mr. Prior: On the last point, I have nothing to add to what I have already said. However, I would certainly wish to explain to the country, and perhaps to other countries, particularly America, the initiative that the Government are taking, and therefore the need for inward investment in Northern Ireland from America. I emphasise that I wish to see inward investment coming to Northern Ireland.

I believe that we are right, in the interests of Northern Ireland, to bring forward these proposals at the earliest possible moment. I do not think that anything that we say which would be helpful to get American investment in Northern Ireland should be interpreted in the way that the hon. Gentleman sometimes seeks to do.

Mr. Tom Arnold (Hazel Grove): Will my right hon. Friend re-emphasise that devolved institutions, supported by a majority of the people of Northern Ireland, can serve to strengthen and not weaken the Union?

Mr. Prior: I am grateful to my hon. Friend for that question, and I believe passionately that that is the case.

Otherwise, there will be continual erosion in Northern Ireland of Northern Ireland's position within the United Kingdom. With a little wisdom, we could put that behind us for ever.

Mr. A. E. P. Duffy (Sheffield, Attercliffe): Why is the Secretary of State so nervous of the parliamentary tier? Was it not agreed at the Heads of State meeting? Who has warned him off?

Mr. Prior: It is a question not of being nervous but of being frank with those who place a great deal of emphasis on the parliamentary tier. My experience of the House suggests that right hon. and hon. Members would be reluctant to give any of their sovereignty to that tier. I have had to tell members of the SDLP and the minority community of the difficulties involved in that suggestion. That should be a matter for the House and the Dail to decide.

Dr. Brian Mawhinney (Peterborough): Does my hon. Friend accept that many of us—and I speak as a colleague and an Ulsterman—will welcome the proposals? Is he not surprised at the unhappiness expressed when devolution is simply on offer and not imposed on the people of Northern Ireland? Does he agree that the divisions in the Province are likely to be made worse unless a move is made to bring the two communities together?

Mr. Prior: I am grateful to my hon. Friend for the help and advice that he has given over many months in trying to move forward a step at a time. I hope that some of the resistance from my own side of the House will be mitigated by the fact that we are moving forward only as and when the people of Northern Ireland are prepared and willing to do so.

catastrophic for employment and would cause unemployment in agricultural machinery, the tractor industry and farming, to the detriment of the nation.

Mr. John Carlisle (Luton, West): I appreciate the Herculean efforts of my right hon. Friend and his colleagues in Brussels to keep these prices as low as possible, but how optimistic is he that a settlement will be reached between 20 and 22 April? Does he realise that the longer this goes on, the greater the detriment it will have on trade and those trying to trade commodities? If, at the end of the day, he must agree to a higher price increase than he would wish, what would his thoughts be on a revaluation?

Mr. Walker: Obviously to settle a price fixing as near the marketing year date as possible, is an advantage for all the farming community. However, before we make any settlement, it is vital that we recognise the nature of Britain's budgetary contribution. That is why we have always made it clear that the agreement for Britain's future budgetary payments should be connected with and parallel to the price fixing.

Mr. Robert Maclellan (Caithness and Sutherland): Why is the Minister so opaque about the Government's intentions on the revaluation of the green pound? He must be aware of the farmers' concern about this matter. His statement merely outlined the Government's procedural opposition to that matter being considered by the Council. As a matter of law—not of the Minister's opinion—is this not a matter for the British Government to decide?

Mr. Walker: Yes, Sir. Our view has always been that any member country must be free to move its green pound whenever it wishes and at its own instigation. That has always been our view and that is why I repeated it in the statement. During the debate a week ago, I made it clear that, as far as I was concerned, there would be no revaluation of the green pound.

Mr. Richard Body (Holland with Boston): Is my right hon. Friend aware that most, if not all, hon. Members are grateful to him for continuing his practice of reporting back to the House, even when he sometimes comes empty-handed from Brussels? Does he agree that we now have a wonderful opportunity, which may never be repeated, to effect curbs on the way that the EEC dumps surplus grain, dairy products and sugar on the world market in a way that causes great hardship? Will he assure us that he will make the utmost use of that opportunity, which may not be repeated at this time next year?

Mr. Walker: Yes, Sir. The United Kingdom Government have always reported the facts on European trading policy, and we shall continue to do so. The present situation and uncertainty of world conditions on grain, for example, show how much better it is for Western Europe to have a surplus than a deficit.

Mr. Nigel Spearing (Newham, South): The Minister mentioned that there had been some support for the United Kingdom stand on the so-called "co-responsibility levy". Does he agree that trying to have a common market in milk over the whole of the EEC is not in accordance with the marketing facts? As he had some encouragement in this matter, would it not be more sensible to make separate arrangements where surpluses arise? Is that what the Council of Ministers is going towards?

Mr. Walker: No, Sir. The Commission's proposal to have a super levy, based on the real production of individual countries, is fully supported by the United Kingdom. That is a sane and sensible way of trying to curtail milk production.

Several Hon. Members rose—

Mr. Speaker: Order. I propose to call those hon. Members who have been rising. I hope that they will cooperate.

Mrs. Elaine Kellett-Bowman (Lancaster): I welcome my right hon. Friend's assurance that there will be no lower co-responsibility levy for small farmers, but will he assure us that large farmers, producing more than a certain gallonage or hectareage, will not be penalised?

Mr. Walker: Yes, I give that assurance. In no way would I accept such a proposal.

Mr. Teddy Taylor (Southend, East): First, if the Commission's proposals are accepted, will surpluses next year be larger or smaller? Secondly, was any move taken to curb the record exports of subsidised food to Russia? Thirdly, what is the point of having a price rise for sugar, for example, when the Common Market already produces about 70 per cent. more than it needs?

Mr. Walker: When one talks of price rises, one must consider their impact in real terms as opposed to purely money terms. There are many jobs in the United Kingdom sugar-producing industry. That industry is of considerable importance to Britain. It would be absurd to cause damage to it by not being realistic about the increase in input costs.

Whether surpluses will be greater or smaller obviously depends on many factors. Overall, even at present price levels—many of which we oppose on particular commodities—farm incomes in Europe will have dropped substantially over the past three years. That does not mean that a high price was the reason for surplus production. For example, on dairy production, I assure my hon. Friend that the curtailing of price over a long period has resulted in many small producers of milk endeavouring to improve their yields by having extra cows and thereby increasing production. Therefore, there is not a straight price production ratio.

Mr. Tony Marlow (Northampton, North): I congratulate my right hon. Friend on fighting a magnificent battle for the British and European consumer when confronted by the whole of the European farming industry. Bearing in mind that my hon. Friend the Member for Devon, West (Mr. Mills) considered that a 9 per cent. increase was about right, that nurses were offered 6.4 per cent. and that some people in work have had no increases this year, does my right hon. Friend agree that if certain European countries believe that they need a higher price increase to suit their farmers because of their domestic circumstances, there should be an increasing divergence between our agricultural policies and those of other countries and that our increase should be restricted to a maximum of 9 per cent.?

Mr. Walker: First, one cannot start referring to 9 per cent. as if it applied to all commodities and that the proposal was for each to go up by 9 per cent. There is a great divergency of price increases. Secondly, it is wrong for anyone to equate farm price increases with wage increases for any sector. The two are totally disconnected.

[Mr. Walker]

One is an increase, the largest part of which goes to meet increased wages and costs. It is not an increase in farmers' incomes of 10 per cent. It is absurd to say that the nurses or the civil servants have been offered this or that and that farmers should get the same. Farmers must meet a whole range of additional costs out of that increase. The two are not connected. If farm incomes over the past three years had been connected with wages or salaries, including those of the nurses, farm prices would be much higher than they are today.

Mr. David Myles (Banff): If there cannot be agreement before the beginning of the livestock year—one has heard that it will be postponed until 26 April—will my right hon. Friend ensure that producers who must market this livestock within that period will not suffer a disadvantage?

Mr. Walker: No, Sir. I cannot give that assurance. The normal custom in the Community has been not to back-date marketing years when agreement has been reached late. Therefore, I cannot give that assurance.

Mr. John MacKay (Argyll): Remembering the years when, under the Labour Government the MCAs were greatly to the disadvantage of the British farmer, will my right hon. Friend resist any pressure to devalue the green pound? Does he realise that the British agriculture industry is 100 per cent. behind him in that determination for consumers?

Mr. Walker: Yes. That applies not only to the British agriculture industry. I have no doubt that the detriment to British agriculture and, therefore, to all the industries connected with it from having a negative MCA policy was disastrous in those years. Since we have had positive MCAs, we have massively increased the proportion of the United Kingdom market supplied by British farmers. That is an indication that the reverse policy is proving to be correct.

Mr. Buchan: I would not have intervened again, but comments have been made that make it necessary for me to do so. The nonsensical costing of a deficiency payment, on the estimates that I put before the House 10 days ago, in the first half, tallied closely with the figures that I gave. I said £900 million, and it came to £1,000 million. To accompany that with a reduction of 80 per cent. in farm income is a spurious and totally irrelevant figure plucked out of the air.

Is it not also the case that to attach that to a comment on the consequential forward investment in machinery—when this is precisely what has happened in

British farming over the past few years as a result of Common Market policy—is almost like trying to rebuke Satan in defence of the CAP sin? That position certainly increased under our old structures. Does the Minister agree that if it was possible for us to operate a deficiency payments structure when we operated our own agricultural policy before we entered the Common Market, it is equally possible for us to operate it after we leave the Community? That seems to be manifest. Does the Minister agree?

The right hon. Gentleman blames me for the price increase under the Labour Government. I remind him, first, that that price increase took place during a transitional period when prices had been considerably jacked up year by year. Secondly, I remind him that I resigned from that Government because their policy was too close to his policy for my liking.

Mr. Walker: I do not blame the hon. Gentleman for resigning from that Government. I commend him for doing so. With regard to the costing, I repeat that when one looks carefully at the wording of the hon. Gentleman's statement in *Hansard*, it seems that, if he was implying that he would fix the prices for British farming at the average between the current world price and the current Community price—

Mr. Buchan: I did not say that.

Mr. Walker: I was saying that that was implied. Therefore, I look forward to hearing the hon. Gentleman say at what level the price would be fixed. If he fixed it at the present price in order to maintain present farm price levels—therefore, not to reduce farm incomes—the cost would be much more than £1 billion. It would be a tremendous amount more than that. Therefore, the hon. Gentleman's figures would be wrong.

Another factor that the hon. Gentleman will remember is that food prices more than doubled under the previous Labour Government. At the end of the Labour Government's period of office, the Minister responsible for agriculture announced that only a small proportion of that was due to CAP farm prices increases.

BILL PRESENTED

MERCHANT SHIPPING (LINER CONFERENCE)

Mr. Secretary Biffen, supported by Mr. Humphrey Atkins, Mr. Secretary Howell, Mr. Secretary Tebbit and Mr. Iain Sproat presented a Bill to provide for the implementation in the United Kingdom of the Convention on a Code of Conduct for Liner Conferences signed at Geneva on 6 April 1974; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 102.]